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S E C R E T SECTION 01 OF 02 TAIPEI 003957

SIPDIS

DEPT PASS TO AIT/W AND USTR
DEPT FOR EAP/TC, EAP/EP, EB/IFD/OIA AND NKWG
TREASURY FOR OASIA MOGHTADER AND OCC AMCMAHON
TREASURY ALSO PASS TO FEDERAL RESERVE BOARD OF GOVERNORS,
SAN FRANCISCO FRB AND NEW YORK FRB

E.O. 12958: DECL: 09/18/2020

TAGS: [ECON](#) [PINR](#) [KCRM](#) [KTFN](#) [TW](#) [HK](#)

SUBJECT: MONEYCHANGERS IN TEMPLES AND JEWELRY STORES
PROMOTE TOURISM?

REF: A. TAIPEI 3867

[B](#). TAIPEI 3288

[C](#). TAIPEI 3766

Classified By: AIT ACTING DIRECTOR DAVID KEEGAN, REASON 1.5 B/D

[1](#). (SBU) Summary and comment: In what is being billed as an attempt to promote tourism, Taiwan's Central Bank of China (Central Bank) plans to revise regulations to permit jewelry stores and handicraft shops to offer currency exchange services. The Central Bank has assured AIT it will limit transaction amounts and strictly regulate the new (or newly legal) service providers to prevent money laundering. This revision, expected to become effective in October, follows a revision in March which permitted temples, convenience stores, national parks, travel service centers, and train stations to offer currency exchange services. These new regulations could be a way of shutting criminals out of money brokering by providing regulatory oversight of existing practices. End summary and comment.

A Framework for Control of Traditional Money Brokers

[2](#). (C) AIT/Econ has repeatedly raised the issue of unregistered money brokers with Taiwan Ministry of Justice officials (ref c) out of concern that these unlicensed brokers may be involved in money laundering, or financing criminal activities. The new measures announced by the Central Bank on September 21 will provide a legal and regulatory framework for controlling unlicensed money brokers that wish to be legalized.

[3](#). (C) AIT/Econ has confirmed with Taiwan's Central Bank that it plans to add jewelry stores and handicraft shops to the list of non-bank businesses permitted to apply for licenses to provide currency exchange services. A Central Bank official told AIT that non-bank enterprises wishing to provide exchange services must first be licensed and incorporated (he noted that about 80% of Taiwan's jewelry stores are currently incorporated). In addition, jewelry stores must obtain a recommendation from Taiwan's Jewelry Store Association.

[4](#). (U) The new regulations require non-bank money brokers to keep currency exchange transaction and customer records for 10 years. The Central Bank has designated the Bank of Taiwan to monitor and regularly inspect their record-keeping practices to ensure conformity with international regulations on currency exchange. The exchange services offered by these non-bank brokers can only be provided to foreign passport holders and can only involve converting foreign cash and foreign currency travelers, checks into local currency. There is a transaction limit of US\$10,000 and the moneychangers must settle with the Bank of Taiwan.

Central Bank Says Measure Will Promote Tourism

[5](#). (C) In response to AIT questions, the Central Bank official insisted that the new regulations are not designed to legalize existing, traditional money brokering practices, but, rather, to promote tourism. He explained that tourists often buy jewelry or handicrafts or items from temple gift shops. According to the official, the Central Bank in March of this year revised its regulations to permit applications for currency exchange licenses from temples, convenience stores, and train stations. The jewelry stores, which have a long history of providing 'unregistered' (read illegal) money brokering services (refelts), demanded the same opportunity. While some of these non-traditional brokers have already expressed an interest in applying, no licenses have yet been issued.

Taiwan's Very Convenient Stores

[6](#). (C) Taiwan places much importance on convenience. In addition to what the normal U.S. convenience store offers,

most of Taiwan's convenience stores already provide a host of other services such as accepting payment for phone bills, parking fees, traffic violations, cable TV, credit cards, public transportation (train, bus, taxi) stored-value cards, and, of course, ATMs. When AIT noted that most foreign tourists would probably use their credit cards, or ATM cards to obtain local currency rather than trying to exchange foreign cash currency for local cash currency, the Central Bank official countered that many Taiwan temples were so old and traditional they lacked ATM machines. (Comment: AIT, however, believes that the potential impact on tourism of these new regulations will be minimal due to Taiwan's already widespread ATMs and acceptance of international credit cards at nearly all significant places of business. End comment.)

Records of Taiwan Remittances to Banco Delta Asia

17. (C) The Central Bank official also noted that the Central Bank has records of Taiwan companies' remittances to Banco Delta Asia and its subsidiary in Hong Kong, but that AIT would need to send a written request with justification before it could share those records.

Comment

18. (S) These new regulations could be a significant step towards bringing Taiwan's unregistered money brokers into compliance with the Financial Action Task Force on Money Laundering, UNSCR 1267, and the U.S. Patriot Act requirements on keeping transaction and customer records. The new regulations could also aid in preventing the take-over of money brokering operations by organized crime that was warned of in reftels. Recent investigations into the North Korean supernotes in Taiwan established that international tour groups are used as a channel for spreading counterfeit currency. These new regulations will squeeze this channel by lessening the need for tour guides or tour operators to provide informal currency exchange services for their clients.

19. (C) However, the extensive business, cultural, immigration, and travel links between Taiwan and China will continue to feed demand for non-bank money brokering services that remain illegal under Taiwan's laws, and remain an attractive source of profits for criminal organizations.

KEEGAN